

SIMBA ENERGY INC

C\$0.155

Final approval for onshore Guinea blocks 1 & 2

24 May 2012



Recommendation

Sector:
Exchange & Ticker:
Shares in issue:
Fully diluted equity:
Market cap:

BUY

Oil & Gas
TSX.V: SMB
193.6m
312.8m
C\$30.0m

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Simba has been granted final approval for a 60% interest in the PSC for blocks 1 & 2, onshore Guinea (Conakry). The approval follows an agreement signed in July 2011 with the existing PSC holder, Summa Energy, to transfer 60% of its interest. Blocks 1 & 2, bordering the coast and neighbouring Guinea Bissau, lie within the Bové Sedimentary Basin and Simba believes the blocks carry significant hydrocarbon potential based on characteristics displayed from the company's analysis of the acreage.

- Under the terms of the agreement signed in July 2011 with Summa Energy, and following the recent approval granted by the Republic of Guinea's Minister of Mines and Geology, Simba Energy will hold a 60% interest in the PSC of blocks 1 & 2 onshore Guinea. Simba will fund 100% of the first year's exploration programme and 60% of all exploration costs thereafter.
- Simba has highlighted a number of characteristics that suggest the potential of the Guinea blocks. Included in Simba's findings and analysis are the presence of oil seeps and accumulations of bio-degraded heavy oil at surface. Three reservoir systems of fair to good parameters are known to be within the sedimentary basin. The tectonic style of the basin is favourable to the formation of large structural traps.
- Further to previous analysis conducted on the blocks, results from Hyperdynamics Corp's (NYSE: HDY) recent Sabu-1 well were said by HDY to confirm that hydrocarbon generation has taken place in the basin and enhanced the prospectivity of the area.
- Other explorers in the region see the Bové Basin as an extension to the Transform Marginal play that has hosted a number of discoveries across the west coast of Africa, including Anadarko's Mercury-1 discovery in Sierra Leone. Despite West Africa's significant prospectivity, Guinea remains virtually unexplored. The majority of the exploration wells in the Bové Basin were drilled prior to 1960 and are now thought to be too shallow to fully evaluate the area's potential.

We see the approval of the PSC for blocks 1 & 2 as a firm addition to Simba's growing early stage exploration portfolio. Coupling the recent fund raising with the granting and approval of licences across Africa, Simba has positioned itself well to advance with work programmes and farm-out discussions. We maintain our buy recommendation on the shares as we anticipate further details of the Guinea work programme and progress on Simba's key Kenyan assets.

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